**Behavioral Economics**

**Fall Semester 2023**

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**Description:**

Behavioral Economics is a relatively new sub-field of economics that incorporates insights about behavior from psychology into economics, with the goal of improving the realism and accuracy of the standard economic models. Formally, behavioral economics details observed behavior that is contrary to the predictions of the current models and generates new and improved models to describe behavior.

This proseminar introduces how people discount the future, with special emphasis on models of intertemporal choice in which people appear to exhibit present bias. We examine the empirical evidence of such present-biased preferences and explore various models, which have attempted to formalize the intuition that humans have a tendency to too often grab immediate rewards. Our basic analytical framework is used to try to illuminate economic questions such as procrastination, excessive credit borrowing and saving for retirement. We also ask what, if any, implications these ideas have for public policy.

**Pre-requisite:**

The main prerequisite for this course is Principal of Microeconomics and an understanding of calculus at the level of a typical undergraduate calculus course. However, as far as mathematics goes, the most important prerequisite is a certain level of "Mathematical sophistication,” i.e. comfort in dealing with mathematical constructs and arguments.

**Logistics:**

The grade will depend on students’ presentation (1/3) and seminar paper (2/3):

1. Presentation: 25 mins + discussion
2. Seminar paper: 12 pages (excluding table of content and references), 1.5 spacing, 12pt Times New Roman, standard Word page layout (approx. 24,000 characters)

The block seminar attendance is compulsory. There are total 8 topics designed for the course. One paper is listed for each topic. Working papers and journal articles mentioned below will be made available to you through StudOn.

Depending on the final enrollment status, two students will be assigned to one of the 8 topics provided below. They will jointly present the assigned research papers. Please note that each student is required to write the proseminar paper independently.

**Important Dates:**

* Introduction Session: 20-10-2023
  + Time: 3 pm to 4 pm
  + Venue: Kochstraße 4, Room 5.054
* Presentation Session: 24-11-2023 and 25-11-2023
  + Time: 12 pm to 5 pm
  + Venue: Kochstraße 4, Room 1.055
* Final Paper Submission: 30-11-2023 at 5 pm Berlin time

Further details will be communicated via email.

**List of Topics:**

1. **Time:**

*The Time-Additive Stationary Model*: Varian, Microeconomic Analysis, 3rd edition. Pages 358-359.

1. **Time Preference Survey:**

Frederick, Loewenstein and O’Donoghue, “*Time Discounting and Time Preference: A Critical Review*”, Journal of Economic Literature, 2002

1. **Time Preference Application:**

Ericson KM, Laibson D. “*Intertemporal Choice*”. In: Bernheim D, Laibson D, DellaVigna S, Handbook of Behavioral Economics - Foundations and Applications 2. Elsevier; 2019

1. **Time and Behavioral Development Economics:**

Kremer, Michael, Gautam Rao, and Frank Schilbach. “[*Behavioral Development Economics*](https://scholar.harvard.edu/kremer/publications/behavioral-development-economics).” Handbook of Behavioral Economics, Douglas Bernheim, Stefano DellaVigna, and David Laibson (eds.), 2019.

1. **Applications of Quasi-hyperbolic Discounting:**

Charles Sprenger, Ned Augenblick and Muriel Niederle., “*Working Overtime: Dynamic Inconsistency in Real Effort Tasks*”., Quarterly Journal of Economics, 130(3), 1067-1115, 2015

1. **Time and Risk:**

James Andreoni and Charles Sprenger. "*Risk Preferences Are Not Time Preferences*", American Economic Review,102(7), 3357-3376, 2012

1. **Dual-Self:**

Thaler and Shafrin, “*An Economic Theory of Self-Control*”, JPE 1981

1. **Experimental Papers:**

James Andreoni and Charles Sprenger. " *Estimating Time Preferences from Convex Budgets*" American Economic Review, 2012, 102(7), 3333-3356.